

5. English Summary

The Danish economy is recovering after the international economic recession. Economic growth is returning, and compared to other countries the unemployment rate is still low in Denmark – and lower than previously expected.

Fiscal policy has been eased substantially both in 2009 and 2010 to support growth and employment. The expansive fiscal policy and the economic recession contributes to deficits on the general government budget balance exceeding the reference value of 3 per cent of GDP in the *Stability and Growth Pact* of the EU.

Hence, Denmark has received a recommendation adopted by the EU Council of Finance Ministers (ECOFIN) to tighten fiscal policy by at least ½ per cent of GDP per year in the period 2011-2013. The government and *Danish People's Party* have in May 2010 agreed to bring Danish economy back on track with the *Fiscal Consolidation Agreement*, which meets the recommendation from ECOFIN to consolidate public finances by 1½ per cent of GDP from 2011-2013.

The consolidation of the public finances dampens growth in the coming years. However, fiscal policy in 2009-2011 is expected to have an almost neutral impact on activity in 2011 although the first year fiscal effect is estimated at -0.3 per cent of GDP in 2011.

Due to the *Fiscal Consolidation Agreement* the general government structural budget balance is improved by approx. 1 per cent of GDP from 2010 to 2012. This reflects among other things higher personal income taxes, the gradual phase-in of the financing elements in the *Spring Package 2.0* and reduced public investment compared to the historical high level in 2010.

The agreement on the central government budget for 2011 is in line with the *Fiscal Consolidation Agreement*, and new initiatives are fully financed by reserves and reductions in other areas. The agreement reflects new initiatives of DKK 6½bn including further investments in research and development, strengthening of the market for venture capital investments, increased deductions of VAT on hotel services and other tax initiatives to strengthen businesses international competitiveness. Moreover, additional 9.000 vocational training jobs compared to 2009 are to be established and the reimbursement to municipalities for active labour market schemes is changed to support more effective results. Also additional funds are allocated to the social housing sector and urban ghetto areas and a new cancer strategy is launched to improve the effort before and after cancer therapy.

5.1 General government finances

The estimates for the general government finances in 2010 and 2011 are based on the short term projections for the Danish economy, cf. *Economic Survey*, December 2010.

The estimates for 2010 are derived from the central government budget for 2010, an updated status for the central government spending in 2010, local government budgets for 2010, quarterly data on public finances from Statistics Denmark and information from local governments. With respect to 2011 the estimates are based on local and central government budgets for 2011 while the estimates in 2012 are based on assumptions in line with the *Fiscal Consolidation Agreement*.

According to revised data on general government finances from Statistics Denmark, the general government balance deficit amounted to DKK 46½bn in 2009 or 2.8 per cent of GDP, cf. *table 5.1* and *annex 1*.

	2005	2006	2007	2008	2009	2010	2011	2012
DKK bn, current prices								
August 2010	77.6	82.3	80.6	59.8	-47.0	-80.1	-78.7	-
December 2010	77.6	82.3	81.4	56.9	-46.5	-62.6	-83.9	-62.5
- Central government	-5.5	-7.8	-4.5	-7.4	-12.6	-	-	-
- Local governments	82.7	89.7	85.8	64.6	-32.5	-	-	-
- Social funds	0.4	0.3	0.0	-0.3	-1.5	-	-	-
December 2010 (per cent of GDP)	5.0	5.0	4.8	3.3	-2.8	-3.6	-4.7	-3.4
Note: The specification of the central and local government budget balances does not fully reflect that the central government through transfers to local governments bears the risk of fluctuations in expenditures and revenues due to the business cycles.								

In 2010 the general government budget deficit is estimated at approx. DKK 62½bn corresponding to 3.6 per cent of GDP, while the deficit in 2011 is estimated at DKK 84bn or 4.7 per cent of GDP. For 2012 the budget deficit is estimated at DKK 62½bn corresponding to 3.4 per cent of GDP.

Compared to 2008 the general government budget balance is expected to weaken from a surplus of 3.3 per cent of GDP to a deficit of 3.6 per cent of GDP in 2010, even though the revenue from the pension yield taxation increases by nearly 2 per cent of GDP throughout this period. The weakening corresponds to a reduction of DKK 120bn in the budget balance or 7 per cent of GDP. About half of the weakening in the budget balance reflects discretionary fiscal policy, e.g. lower personal taxes due to the tax reform in the *Spring Package 2.0* as well as considerable growth in public consumption and investment expenditures. Moreover, weak cyclical conditions

reduce the budget balance through increased expenditures on e.g. unemployment benefits and decreased tax revenues from e.g. VAT and income taxes.

Compared to the short term projection in August 2010 the deficit on the general government budget balance in 2009 is more or less unchanged according to revised data from Statistics Denmark in November 2010, cf. table 5.2. The revision covers a downward adjustment in both public expenditures and public revenues of DKK 7bn and DKK 6½bn, respectively. The adjustments are primarily related to downward adjustments in the net interest expenditures and dividends due to a technical adjustment of central government swap arrangements.

In 2010 the expected budget deficit is reduced by DKK 17½bn compared to the August estimates primarily reflecting higher expected revenues from the pension yield taxation and revenues from the North Sea activities. In 2011 a weakening of DKK 5½bn in the budget balance is expected, which among other things reflects an upward adjustment in public investments and a downward adjustment in revenues from personal taxes compared to the August projection.

	2009	2010	2011
DKK bn, current prices			
North Sea oil and gas exploration activities	0.0	2.9	0.7
Corporate taxes excluding North Sea oil and gas exploration activities	1.1	0.0	0.0
Pension yield taxation	-1.2	14.1	0.0
Labour market contribution	-0.1	0.8	0.5
Personal taxes etc.	-2.7	-0.2	-2.2
Value Added Tax	-0.1	-1.8	-0.7
Vehicle registration tax	0.0	0.1	-0.6
Other taxes and duties	0.0	1.5	1.5
Public consumption expenditures	0.1	-5.1	0.0
Public investment expenditures	-0.2	5.5	-3.8
Income transfers	0.6	0.2	0.2
Net interest expenditures and dividends	0.6	-1.5	1.0
Subsidies	0.4	-0.2	-1.3
Other expenditures and revenues	2.0	1.3	-0.5
Total revision of general government budget balance	0.4	17.5	-5.2
Note: Negative numbers imply reductions of the surplus due to reduced revenues or increased expenditures, and positive numbers imply increases in the surplus due to increased revenues or decreased expenditures.			

Revenues from the North Sea activities are upward adjusted by DKK 3bn in 2010 and by DKK ¾bn in 2011 compared to the August projection reflecting an upward adjustment in both the expected production level and the oil price.

The revenues from *the pension yield taxation* are upward adjusted by DKK 14bn in 2010. This primarily reflects higher expected returns on bonds and interest rate swaps due to lower expected interest rates in 2010. Further, the expected returns on stocks are upward adjusted based on the actual trend in the stock market until mid November 2010.

The revenues from *labour market contribution* are upwards adjusted by DKK $\frac{3}{4}$ bn in 2010 and by DKK $\frac{1}{2}$ bn in 2011 due to an expected higher employment level.

Revenues from *personal taxes etc.* are largely unchanged in 2010 and downward adjusted by DKK $2\frac{1}{4}$ bn in 2011. In both years revenues from tax on capital pensions are downward adjusted by DKK $2\frac{1}{2}$ bn based on information in the accounts until October 2010. Contrary to this, revenues from personal income taxes are upward adjusted by DKK $2\frac{1}{2}$ bn in 2010 and by DKK 1bn in 2011.

The revenues from the *Value Added Tax (VAT)* are downward adjusted by DKK 2bn in 2010 and by DKK $\frac{1}{2}$ bn in 2011 following a downward adjustment in the housing investments.

Revenues from the *vehicle registration tax* are largely unchanged in 2010 and downward adjusted by DKK $\frac{1}{2}$ bn in 2011 primarily reflecting fewer expected private car sales.

Other taxes and duties are upward adjusted by DKK $1\frac{1}{2}$ bn in both 2010 and 2011. In 2010 revenues from duties on tobacco and energy are higher than expected based on accounts until October 2010. The upward adjustment in 2011 reflects higher expected contributions to unemployment insurance funds and to the Employee's Guarantee Fund that secures wage payments in case of bankruptcy.

Nominal *public consumption* expenditures are upwards adjusted by 5bn in 2010 and unchanged in 2011 compared to the August projection. The upward adjustment in 2010 is primarily related to a higher expected public employment level.

The nominal level of *public investment* expenditures are downward adjusted by DKK $5\frac{1}{2}$ bn in 2010 and upward adjusted by DKK $3\frac{3}{4}$ bn in 2011. The adjustments partly reflect expected deferment of local government investments from 2010 to 2011.

Expenditures on *income transfers* are largely unchanged in 2010 and 2011. In both years cyclical related expenditures as unemployment benefits and vacation allowance are downward adjusted by approx. DKK 1bn while expenditures on pensions are upward adjusted by DKK 1bn in 2010 and by DKK $\frac{1}{2}$ bn in 2011.

Net interest expenditures and dividend are upward adjusted by DKK $1\frac{1}{2}$ bn in 2010 and downward adjusted by DKK 1bn in 2011. The upward adjustment in 2010 reflects larger expected losses related to central government bonds trades while the down-

ward adjustment in 2011 is related to a lower central government debt and higher dividends on central government deposits in Danmarks Nationalbank.

Expenditures on *subsidies* are upward adjusted by DKK ¼bn in 2010 and DKK 1¼bn in 2011. In 2010 the adjustment can be attributed to job training for cash benefit recipients while the adjustments in 2011 reflect higher subsidies to electricity production and funds to cover losses from risky capital investments following the central government budget for 2011.

Other expenditures and revenues are downward adjusted by DKK 1½bn in 2010 and upward adjusted by DKK ½bn in 2011. The downward adjustment in 2010 primarily reflects expected lower VAT and BNI contributions to the EU.

The expenditure burden, i.e. the ratio of government expenditure to GDP, is estimated at 55.7 per cent of GDP in 2012, which reflects an increase of 3¾ percentage points since 2005, *cf. table 5.3*. The increase primarily reflects expected growth in public consumption relative to GDP of 2½ percentage points from 2005 to 2012, *cf. annex 2*. In the same period the revenue burden is expected to decrease by 4½ percentage points primarily due to a lower tax burden.

Table 5.3
Expenditure, tax and revenue burden, 2005-2012

	2005	2006	2007	2008	2009	2010	2011	2012	Diff. 2005- 2012
Per cent of GDP									
Expenditure burden ¹⁾	51.9	50.6	50.0	51.0	57.2	57.3	56.6	55.7	3.8
Tax burden	51.0	49.8	49.1	48.2	48.2	48.1	46.4	47.0	-4.0
Revenue burden ¹⁾	56.9	55.7	54.8	54.2	54.3	53.8	51.9	52.4	-4.6

1) The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption, which includes revenues from sales and calculated depreciation expenditure, and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales, which are included in total revenues, and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark. Thus, the expenditure and revenue burdens differ from the ascertained burdens based on the specifications according to Statistics Denmark.

From 2008 to 2010 the expenditure burden is expected to increase from 51.0 per cent of GDP in 2008 to 57.3 per cent in 2010. The increase partly reflects higher cyclical related expenditures such as unemployment and cash benefits as well as considerable growth in public consumption.

From 2010 to 2012 the expenditure burden is expected to decrease by 1½ percentage points to 55.7 per cent of GDP in 2012 primarily due to fiscal consolidation including a reduction in public consumption relative to GDP of 1 percentage point, *cf. annex 2*.

The tax burden is almost unchanged from 2008 to 2010, but is expected to decrease by 1 percentage point from 2010 to 2012. Revenues from the pension yield taxation are extraordinary high in 2010 so the tax burden is increased by 2 per cent of GDP from 2008 to 2010 and reduced by 1½ per cent.

Due to the *Spring Package 2.0* personal taxes are reduced by 1¼ per cent of GDP from 2008 to 2010, but are again increased by ½ per cent from 2010 to 2012 due to the *Fiscal Consolidation Agreement*.

Detailed information about the expenditure, tax and revenue burden can be found in annex 2.

5.2 Fiscal stance

The *fiscal effect* is an indicator of fiscal policy stance. The fiscal effect measures the impact of fiscal policy changes on economic activity.

Based on the central and local government budgets for 2011 the fiscal effect is estimated at -0.3 per cent of GDP in 2011, *cf. table 5.4*. The dampened effect reflects an expected decrease in public consumption and higher personal taxes according to the *Fiscal Consolidation Agreement*. Compared to the August estimates the fiscal effect is upward adjusted by 0.2 per cent due to expected higher growth in public investments.

In 2012 the fiscal effect is estimated at -0.5 per cent of GDP primarily reflecting a decrease in public investments, modest growth in public consumption and higher personal taxes in the *Fiscal Consolidation Agreement*.

The fiscal effect is estimated at 1.2 per cent of GDP in 2009 primarily due to substantial growth in public consumption. In 2010 the fiscal effect is estimated at 0.7 per cent of GDP, which among other things reflects a significant growth in public investments and the tax cuts included in the *Spring Package 2.0*.

	2006	2007	2008	2009	2010	2011	2012
Per cent of GDP							
Expenditures	0.4	0.1	-0.2	0.9	0.4	-0.2	-0.4
Revenues	0.1	0.0	0.0	0.2	0.3	-0.2	-0.1
Fiscal effect	0.5	0.1	-0.2	1.2	0.7	-0.3	-0.5
Special Pension scheme (SP) etc. ¹⁾	-	-	-	0.4	0.1	-0.4	0.0
1)	Effect on economic activity of the release of funds in the Special Pension scheme and funds in certain individual saving accounts.						

The fiscal effect does not include the release of the savings in the Special Pension scheme (SP) or funds in certain individual saving schemes as these are private savings schemes. The release of savings is estimated to increase economic activity by an additional 0.4 per cent of GDP in 2009 and 0.1 per cent of GDP in 2010.

Discretionary fiscal policy, release of private savings and decreasing interest rates since 2008 are estimated to increase economic activity by $2\frac{3}{4}$ per cent in 2010, *cf. table 5.5*.

Fiscal policy etc. and declining interest rates from 2009 to 2011 is expected to stimulate activity by $1\frac{1}{4}$ per cent of GDP in 2011 including the first year fiscal effect in 2011 of -0.3 per cent. Especially interest rate changes contribute to the activity effect.

	2009	2010	2011	2012
Per cent of GDP				
<i>First year effects</i>				
Fiscal effect	1,2	0,7	-0,3	-0,5
Special Pension scheme (SP) etc. ¹⁾	0,4	0,1	-0,4	0,0
Fiscal policy etc.	1,5	0,8	-0,8	-0,5
<i>Multi year effects</i>				
Fiscal effect	-	0,3	0,4	0,0
Special Pension scheme (SP) etc. ¹⁾	-	0,2	0,1	-0,2
Fiscal policy etc.	-	0,5	0,5	-0,2
Total effect of fiscal policy etc.	1,5	1,2	-0,2	-0,7
Interest rate changes since 2008	0,5	1,6	1,5	-0,2
Total effect of economic policy	2,0	2,8	1,2	-0,8
Note: Multi year effects are measured by the impact on economic activity of fiscal policy etc. from 2009. Multi year effects of interest rate changes are measured by the impact of interest changes since 2008. Deviations between the total sum and the sum of each activity contribution might be caused by rounding off.				

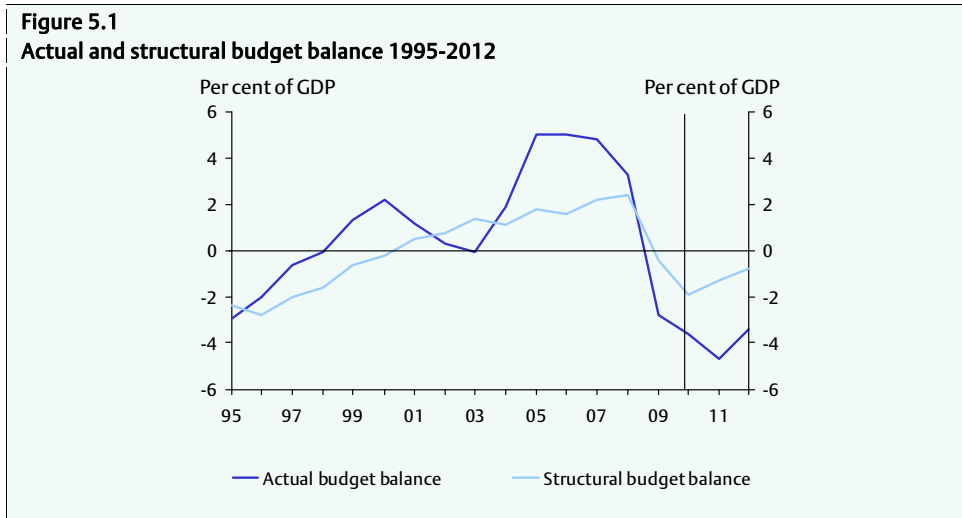
In 2012 economic policy including interest changes are expected to dampen economic activity by approx. $\frac{3}{4}$ percentage points.

5.3 Structural budget balance

The structural budget balance is the actual general government balance adjusted for the estimated impact on the budget from the cyclical position of the economy and other temporary factors. In light of the major change in demand, production, employment etc. the calculation of the structural budget balance is more uncertain than usual.

Primarily due to expansionary fiscal policy the structural budget balance deficit is estimated at 0.4 per cent of GDP in 2009 and at 1.9 per cent of GDP in 2010.

Primarily in light of the *Fiscal Consolidation Agreement* the structural budget deficit is estimated to decline to 1.3 per cent of GDP in 2011 and 0.8 per cent of GDP in 2012. The structural budget balance is thus strengthened by approx. $\frac{1}{2}$ percentage point from 2010 to 2011 and approx. $\frac{1}{2}$ from 2011 to 2012.



In the period 2004-2008 both cyclical conditions and the development in financial markets contributed to higher actual budget surpluses compared to the calculated structural surpluses, *cf. figure 5.1*. Extraordinarily large surpluses from the pension yield taxation in 2004 and 2005 as well as favourable cyclical conditions in 2006-2008 contributed to higher actual surpluses. In light of the weakened cyclical conditions the estimated actual deficit is higher than the structural budget deficit in the period 2009-2012.

From 2002 to 2012 the estimated structural budget balance is reduced by $1\frac{3}{4}$ per cent of GDP, *cf. table 5.6*. From 2002 to 2008 the structural budget balance is strengthened by $1\frac{1}{2}$ per cent of GDP primarily reflecting lower net interest rate expenses due to reductions in central government debt, whereas expansionary fiscal policy in 2009 and 2010 reduce the structural budget balance considerably.

Table 5.6
Structural budget balance (per cent of GDP), 2002-2012

	Structural Balance		Change due to					
	Level	Yearly change	Fiscal policy ¹⁾	Pension yield taxation	Net Interest	North Sea oil and gas	Special items ²⁾	Other
2002	0.8							
2003	1.4	0.6	0.1	0.0	0.3	0.2	0.1	-0.2
2004	1.1	-0.3	-1.3	0.0	0.3	0.2	0.1	0.6
2005	1.8	0.7	-0.3	0.1	0.3	0.1	0.0	0.6
2006	1.6	-0.2	-0.5	0.0	0.2	0.1	-0.1	0.0
2007	2.2	0.6	0.1	0.0	0.2	0.1	-0.1	0.3
2008	2.4	0.2	-0.1	0.0	0.1	0.1	-0.1	0.2
2009	-0.4	-2.8	-2.1	0.0	0.1	-0.1	-0.1	-0.6
2010	-1.9	-1.5	-1.2	0.0	0.0	-0.2	0.0	-0.1
2011	-1.3	0.6	0.9	0.1	-0.1	-0.1	0.0	-0.3
2012	-0.8	0.5	0.9	-0.1	-0.1	-0.1	0.0	-0.2
Total		-1.6	-3.5	0.1	1.3	0.3	-0.2	0.3

1) Due to different methods of calculation the fiscal policy effects differ from the effects used in the calculation of the fiscal effect.
2) Special items include among other things various net current and capital transfers.

In 2009 and 2010 the structural budget balance is weakened by 4½ percentage point of GDP of which ¾ per cent of GDP is due to expansionary fiscal policy. This primarily reflects growth in public consumption and investments and tax cuts in *Spring Package 2.0*.

In 2011 and 2012 the structural budget balance is strengthened by approx. 1 per cent of GDP. Fiscal policy is estimated to strengthen the budget balance by ¾ per cent of GDP reflecting the *Fiscal Consolidation Agreement*.

5.4 Central government finances

The central government budget for 2011 reflects revenues of DKK 649½bn and expenditures of DKK 683bn on the current, investment and lending account. Hence, the deficit on the CIL-account¹ amounts DKK 33½bn in 2011 corresponding to 1.9 per cent of GDP, cf. *table 5.7*.

In 2010 a CIL-deficit of DKK 95¼bn is expected corresponding to 5.5 per cent of GDP.

¹ The CIL-account differs from the national account based on the central government balance with respect to the accruals concept (e.g. taxes), the treatment of financial transactions etc. In addition, some institutions that are part of the central government accounts are not considered part of the central government sector in the national accounts, and some institutions that are not part of the central government accounts are considered part of the central government sector.

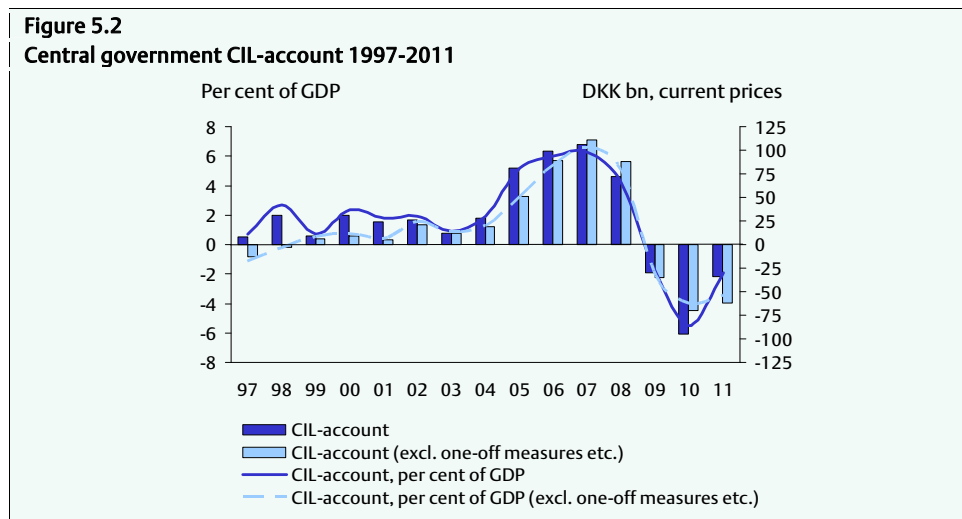
	2010			August (Budget proposal)	2011	
	August	December	Diff.		December (Budget)	Diff.
DKK bn, current prices						
Total revenues	568.9	571.3	2.4	633.7	649.5	15.7
Total expenditures	670.9	666.6	-4.2	685.4	682.9	-2.5
CIL-account	-102.0	-95.3	6.7	-51.7	-33.6	18.2
CIL-account (per cent of GDP)	-5.9	-5.5	0.4	-2.9	-1.9	1.0

The large CIL-account deficit in 2010 reflects fiscal policy and the weak cyclical conditions with lower revenues from taxes and duties and higher expenditures to e.g. unemployment benefits etc. The improvement of the CIL-account from 2010 to 2011 is primarily due to higher expected revenues from the pension yield tax.

Compared to the projection in August the CIL-account deficit is downwards adjusted by DKK 6¾bn in 2010 and by DKK 18¼bn in 2011. The expected lower deficits are related of reduced level of unemployment and in 2011 higher revenues from the pension yield tax.

The CIL-account is to a varying degree affected by one-off measures from year to year. *cf. figure 5.2.* Corrected for one-off measures etc., the CIL-account deficit is estimated at DKK 70¼bn in 2010 and DKK 61¼bn in 2011 corresponding to -4.0 per cent of GDP and -3.4 per cent of GDP respectively.

The corrections of the CIL-account in 2010 and 2011 are primarily due to the volatile revenues from pension yield taxation which are also influenced by a change in the timing of payments.



5.5 Central government financing requirement and debt

Central government debt measured as a percentage of GDP is estimated to increase from 18¼ per cent of GDP in 2009 to 25 per cent of GDP in 2011 corresponding to an increase by 6¾ percentage points, *cf. table 5.8*. Measured in nominal terms central government debt is estimated to increase from DKK 301½bn in 2009 to DKK 447bn in 2011 corresponding to an increase of DKK 145½bn during these years.

The increase in debt from 2009 to 2011 primarily reflects a higher deficit on the CIL-account.

Table 5.8
Central government debt, 2009-2011

	2009	2010	2011	Diff. 09-11
End of year, nominal value (current prices)				
Domestic debt	487.9	575.1	602.7	114.8
Foreign debt	139.6	114.3	113.1	-26.5
The central government's account in Danmarks				
Nationalbank	-193.2	-165.5	-147.7	45.6
Fund holding of bonds	-132.7	-127.5	-121.1	11.7
Central government debt, DKK bn	301.5	396.3	447.1	145.6
Central government debt, per cent of GDP	18.2	22.8	25.0	6.7

The yearly change in central government debt (net of capital gains and borrowing) corresponds to the net balance. The difference between the net balance and the CIL-account reflects among other things cash flow movements and central government relending.

The net financing requirement in 2010 is estimated at DKK 102½bn, cf. table 5.9. Compared to the estimate in August this is a downward adjustment in the financing requirement of approx. DKK 7bn primarily reflecting a lower deficit on the CIL-account.

In 2011 the net financing requirement is estimated at DKK 49¼bn reflecting an expected deficit on the CIL-account of DKK 33½bn and larger expected relending of DKK 11½bn.

Hence, central government debt is expected to increase by DKK 94¾bn from 2009 to 2010 and by further DKK 50¾bn from 2010 to 2011 corresponding to an increase of 6¾ percentage points of GDP from 2009 to 2011.

	2009	2010		2011	
	Final	Aug.	Dec.	Aug. (Budget proposal)	Dec. (Budget)
DKK bn					
CIL-account	-29.8	-102.0	-93.3	-51.7	-33.6
Total relending	-82.0	-2.4	-2.3	-15.6	-11.5
Differences between posted revenues and expenditures and cash flow	-1.8	-5.2	-4.9	-3.9	-4.1
Net financing requirement (-net balance)	110.0	109.6	102.4	71.2	49.2

Financing requirement is introduced as a new concept in *Budget Outlook 3* and *Economic Survey*, December 2010, replacing the previous borrowing requirement. The financing requirement is not affected by cash flows on the central government account in Danmarks Nationalbank while the borrowing requirement is affected by changes in the account.

The financing strategy is announced in the biannual notification of government debt policies, which is published by Danmarks Nationalbank in June and December. Hence, a clearer separation between the financing requirement and financing strategy is obtained.

The financing requirement can be met through borrowing or by drawing on the central government account. The notifications can be found on the government debt management website.

The financing requirement is equivalent to net financing requirement (which depends in particular on central government deficit) plus repayment of short and long term debt.

Domestic financing requirement of the central government is increased by approx. DKK 4bn in 2010 compared to the August estimates to a level of DKK 166bn, *cf. table 5.10*. This reflects higher repayments on long term debt in 2010 due to the purchase of DKK 6bn central government bonds expiring in 2011. The purchases reduce the repayments in 2011 equivalently. Repayment of long term debt and a lower domestic net financing requirement thus increase the domestic financing requirement by DKK 4bn in total.

The domestic financing requirement in 2011 is estimated at 115bn. The downward adjustment compared to the August estimates primarily reflects a lower domestic net financing requirement due to a lower estimated CIL-deficit.

	2010		2011	
	August	December	August (Budget proposal)	December (Budget)
DKK bn				
Domestic net financing requirement	106	104	71	50
Repayment of long term debt ¹⁾	56	62	41	35
Repayment of treasury bills ²⁾	0	0	30	30
Domestic financing requirement³⁾	162	166	142	115

1) Repayment of long term debt includes the net purchase of bonds by funds, net payments from currency swaps, and acquisitions beyond the year.
 2) Repayment of treasury bills corresponds to outstanding in the program at the beginning of the year.
 3) The domestic financing requirement (former borrowing requirement) are changed compared to *Budget Outlook 2*, August 2010, such that cash flows on the Central Government account in Danmarks Nationalbank do not affect the financing requirement.

The foreign financing requirement for 2011 is estimated at DKK 37bn reflecting among other things repayment of commercial papers and long term debt, *cf. table 5.11*. The estimate is virtually unchanged compared to the August projection.

Table 5.11
Foreign financing requirement 2010 and 2011

	2010		2011	
	August	December	August (Budget proposal)	December (budget)
DKK bn				
Net Foreign financings requirement	4	-1	0	-1
Repayment of long term debt ¹⁾	37	37	33	33
Repayment of commercial papers (CP) ²⁾	5	5	5	5
Foreign financing requirement³⁾	46	40	38	37

- 1) Repayment of long term debt includes net payments from currency swaps and acquisitions beyond the year.
- 2) Repayment of commercial papers corresponds to outstanding in the program at the beginning of the Year
- 3) The foreign financing requirement (former borrowing requirement) are changed compared to in *Budget Outlook 2*, August 2010, such that cash flows on the Central Government account in Danmarks Nationalbank do not affect the financing requirement.

Annex 1

Table 1									
General government finances, 2009-2011									
	2009			2010			2011		
	Aug.	Dec.	Diff.	Aug.	Dec.	Diff.	Aug.	Dec.	Diff.
DKK bn. current prices									
Public consumption	496.4	496.3	-0.1	509.5	514.6	5.1	518.6	518.6	0.0
Income transfers	284.3	283.6	-0.6	304.3	304.1	-0.2	314.5	314.3	-0.2
Investment	33.9	34.1	0.2	43.1	37.6	-5.5	38.0	41.8	3.8
Interest expenditure	41.3	37.4	-4.0	36.1	37.6	1.5	37.7	38.1	0.4
Subsidies	43.8	43.4	-0.4	45.1	45.3	0.2	44.9	46.2	1.3
Other expenditures ¹⁾	53.9	51.7	-2.2	58.7	56.6	-2.1	55.8	55.5	-0.3
Total expenditure	953.6	946.6	-7.1	996.8	995.8	-1.0	1009.5	1014.5	5.0
Personal income taxes ²⁾	373.9	371.4	-2.5	352.1	351.9	-0.2	370.9	368.8	-2.2
Labour market Contributions	79.7	79.5	-0.1	80.0	80.8	0.8	81.7	82.2	0.5
Corporate taxes	39.6	40.7	1.1	45.8	47.7	1.9	50.1	50.6	0.5
Pension yield taxation	10.0	8.8	-1.2	28.1	42.2	14.1	3.5	3.5	0.0
VAT	168.4	168.4	-0.1	173.6	171.8	-1.8	178.9	178.1	-0.7
Vehicle registration tax	12.5	12.5	0.0	13.7	13.8	0.1	16.1	15.5	-0.6
Other duties	98.3	98.3	0.0	105.9	107.4	1.5	109.7	110.6	0.9
Other taxes ³⁾	16.4	16.4	0.0	17.6	17.7	0.1	17.5	18.2	0.7
Interest revenues	35.1	31.7	-3.4	26.2	26.1	0.0	27.2	28.6	1.4
Gross operating surplus	33.2	32.5	-0.7	34.5	33.7	-0.8	35.1	34.4	-0.7
Other revenues ⁴⁾	39.5	39.9	0.3	39.3	40.2	0.9	40.0	40.1	0.1
Total revenue	906.7	900.0	-6.6	916.7	933.2	16.5	930.7	930.5	-0.2
General government budget balance	-47.0	-46.5	0.4	-80.1	-62.6	17.5	-78.7	-83.9	-5.2
Net interest Expenditure	6.2	5.6	-0.6	10.0	11.5	1.5	10.5	9.5	-1.0
General government primary balance ⁵⁾	-40.8	-40.9	-0.1	-70.2	-51.1	19.1	-68.3	-74.4	-6.2

Note: The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption, which includes revenues from sales and calculated depreciation expenditure, and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales, which are included in total revenues, and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark.

- 1) Other expenditures include capital transfers, transfers to the Faroe Islands and Greenland and Danish EU-contributions.
- 2) Personal income taxes include withholding taxes, tax on imputed income from owner occupied dwellings, specific taxes from households, tax on estates of deceased persons and other personal taxes.
- 3) Other taxes include social security contributions (labour market supplementary pension scheme contributions, unemployment insurance contributions and early retirement contributions).
- 4) Other revenues include profits from public enterprises, current and capital transfers from other domestic sectors and EU, and imputed (calculated) revenues such as contributions to civil servants' earned pension.
- 5) The general government primary balance states the balance of the general government finances before net interest expenditures.

Annex 2

	2005	2006	2007	2008	2009	2010	2011	2012	Diff. 2005- 2012
Per cent of GDP									
Public consumption	26.0	25.9	26.0	26.7	30.0	29.6	28.9	28.6	2.6
Income transfers	16.5	15.6	15.2	15.1	17.1	17.5	17.5	17.2	0.7
Investment	1.8	2.0	1.9	1.9	2.1	2.2	2.3	2.1	0.4
Interest expenditure	2.6	2.2	2.0	1.8	2.3	2.2	2.1	2.2	-0.4
Other expenditure	5.0	4.9	4.9	5.4	5.7	5.9	5.7	5.6	0.6
Expenditure burden¹⁾	51.9	50.6	50.0	51.0	57.2	57.3	56.6	55.7	3.8
Personal income taxes	21.2	21.2	21.5	21.4	22.4	20.2	20.6	20.6	-0.6
Labour market Contributions	4.4	4.4	4.5	4.6	4.8	4.6	4.6	4.5	0.2
Pension yield taxation	2.4	0.8	0.3	0.5	0.5	2.4	0.2	0.9	-1.5
Corporate taxes	3.9	4.4	3.8	3.3	2.5	2.7	2.8	3.0	-0.9
Value added tax	10.1	10.3	10.4	10.1	10.2	9.9	9.9	9.9	-0.2
Other duties	7.9	7.8	7.6	7.2	6.9	7.2	7.2	7.1	-0.8
Other taxes	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-0.1
Tax burden	51.0	49.8	49.1	48.2	48.2	48.1	46.4	47.0	-4.0
Interest revenue	1.5	1.5	1.6	1.7	1.9	1.5	1.6	1.5	0.0
Other non-tax revenue	4.6	4.6	4.4	4.5	4.4	4.3	4.2	4.0	-0.6
Tariffs etc. to the EU	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0
Revenue burden¹⁾	56.9	55.7	54.8	54.2	54.3	53.7	51.9	52.4	-4.6

1) The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption which includes revenues from sales and calculated depreciation expenditure and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales which are included in total revenues and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark. Thus the expenditure and revenue burden differ from the ascertained burdens based on the specifications according to Statistics Denmark.